

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X		
	:		
In re	:		Chapter 11
	:		
PARAGON OFFSHORE PLC, et al.	:		Case No. 16-10386 (CSS)
	:		
	:		(Jointly Administered)
	:		
Debtors.¹	:		Hearing Date: Feb. 21, 2017 at 10:00 a.m. (ET)
	:		Obj. Deadline: Feb. 14, 2017 at 4:00 p.m. (ET)
	:		
	X		

**DEBTORS’ MOTION FOR ENTRY OF AN ORDER ESTABLISHING
PROCEDURES FOR THE SALE OR TRANSFER OF CERTAIN *DE MINIMIS* ASSETS**

Paragon Offshore plc and its affiliated debtors in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”) seek entry of an order substantially in the form attached hereto as **Exhibit A** (the “**Proposed Order**”) authorizing the Debtors to (i) implement the Sale Procedures (as defined below), (ii) consummate sales and transfers of certain *de minimis* assets (the “**De Minimis Assets**”) free and clear of all liens, claims, interests, and encumbrances without the need for further Court approval, and (iii) pay any necessary fees and expenses incurred in connection with the sale of such assets, and respectfully represent as follows:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.



JURISDICTION

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334, and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b) and, pursuant to Rule 9013–1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), the Debtors consent to the entry of a final order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

BACKGROUND

A. General Background

2. On February 14, 2016 (the “**Petition Date**”), each of the Debtors commenced with this Court a voluntary case under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors’ chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”). The Debtors continue to operate their business and manage their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these chapter 11 cases.

3. Additional information regarding the circumstances leading to the commencement of these chapter 11 cases and information regarding the Debtors’ business and capital structure is set forth in the *Declaration of Ari Lefkovits in Support of the Debtors’ Chapter 11 Petitions and*

Related Requests for Relief (Docket No. 17) and the *Declaration of James A. Mesterharm in Support of the Debtors' Chapter 11 Petitions and Related Requests for Relief* (Docket No. 18).

B. Specific Background

(i) *The Debtors' De Minimis Assets*

4. The Debtors' new business plan (the "**Business Plan**") reflects a company with a more streamlined asset base, where the Debtors will focus their business on the geographic markets that will provide them with the best opportunities. The more focused Business Plan contemplates the disposition of certain of the Debtors' oldest and least-cost effective to deploy rigs, in addition to any ancillary, unwanted equipment. The sale of these unnecessary or burdensome assets will enable the Debtors to avoid related carrying costs and will effectively right-size the company. Consistent with the Business Plan, the Debtors are selling the Paragon MSS2 as authorized by the court's order approving the Debtor's Motion for Authorization to Sell the Paragon MSS2 Free and Clear of All Liens, Claims, Encumbrances, and Other Interests to Mer Group Puerto Rico LLC Pursuant to an Agreement for Sale and Recycling (Docket No. 1052). The Debtors intend to continue the sale of certain rigs and related equipment consistent with the Business Plan.

5. The rigs and related equipment designated for sale are nonessential assets of *de minimis* value to the Debtors and their estates. Furthermore, the ownership of the *De Minimis* Assets necessitates certain carrying costs such as maintenance and storage fees. Maintaining these rigs would require the Debtors to expend their funds on storage, surveying, refurbishing, repairs, transportation, and other related costs. In the Debtors' business judgment, the rigs and related equipment slated for sale pursuant to the Business Plan cannot be deployed on a cash flow positive basis. Further, storing these rigs incurs stacking costs of approximately \$2,000 per rig, per day, on average. The ability to sell these *De Minimis* Assets during these chapter 11

cases will eliminate the cost of maintaining these nonessential assets and will generate additional cash to fund ongoing operations.

6. The Debtors may desire to engage brokers, agents, or auctioneers to obtain the maximal return for the sale of the assets. In light of the *de minimis* sale price of the MSS2 and the similarly situated assets the Debtors wish to sell, the Debtors anticipate that the sale of the *De Minimis* Assets will likely result in few, if any proceeds once necessary third party and other disposition-related costs are accounted for, and could, in a handful of certain instances, result in proceeds of up to approximately \$2.0 million. Given these minimal returns, it would be an inefficient use of resources to seek Court approval for each individual rig sale and the payment of related fees and costs. Moreover, the cost and delay associated with seeking Court approval of each sale could substantially diminish the economic benefits of the transactions or cause the Debtors to miss a window of opportunity to dispose of such rigs and related equipment.

7. To lessen the potential burdens and costs associated with carrying the *De Minimis* Assets during these chapter 11 cases, the Debtors are seeking approval of the procedures described herein. The Debtors propose to utilize the procedures below in lieu of Court approval to obtain more expeditious and cost-effective review by interested parties of certain sales involving the less valuable, non-core, *De Minimis* Assets. All other sale transactions outside of the ordinary course of the Debtors' businesses would remain subject to Court approval pursuant to Bankruptcy Code section 363(b)(1).

(ii) *Proposed Sale Procedures*

8. The Debtors propose to implement the following procedures for the sale or transfer of the *De Minimis* Assets (the “**Sale Procedures**”):

- (i) With regard to the sale or transfer of a *De Minimis* Asset in any individual transaction or series of related transactions to a single buyer or group of related buyers with net proceeds less than or equal to \$100,000:²
 - (a) the Debtors are authorized to consummate such transactions if the Debtors determine in the reasonable exercise of their business judgment that such sales are in the best interests of their estates, without further order of the Court or notice to any party;
 - (b) any such transactions shall be deemed final and fully authorized by the Court and free and clear of liens with such liens attaching only to the sale proceeds with the same validity, extent, and priority as immediately prior to the transaction; and
 - (c) good faith purchasers of such assets shall be entitled to the protections of Bankruptcy Code section 363(m).
- (ii) With regard to the sale or transfer of a *De Minimis* Asset in any individual transaction or series of related transactions to a single buyer or group of related buyers with net proceeds greater than \$100,000 and less than or equal to \$2,500,000:
 - (a) the Debtors are authorized to consummate or authorize such transactions, as applicable, if the Debtors determine in the reasonable exercise of their business judgment that such sales are in the best interests of their estates, without further order of the Court, subject to the procedures set forth herein;

² For purposes of these Sale Procedures, net proceeds shall refer to the proceeds to be received by the Debtors or their estimate of such proceeds, as applicable, on account of any sale transaction net of removal costs, appraisal fees, broker fees, and other related expenses.

- (b) the Debtors shall, at least ten (10) calendar days prior to closing, effectuating, or authorizing such sale or transfer, give written notice of such sale or transfer substantially in the form attached as **Exhibit 1** to **Exhibit A** attached hereto (each notice, a “**Sale Notice**”) to (1) the U.S. Trustee; (2) counsel to the administrative agent and collateral agent under the Debtors’ Senior Secured Revolving Credit Agreement, dated as of June 17, 2014 (the “**Revolver Agent**”); (3) counsel to the administrative agent under the Debtors’ Senior Secured Term Loan Agreement, dated as of July 18, 2014 (the “**Term Agent**” and, together with the Revolver Agent, the “**Secured Parties**”); (4) counsel to the Committee of Unsecured Creditors; and (5) any of the following parties that are affected by such sale or transfer: (i) counsel to any known affected creditor(s) asserting a lien, claim, or encumbrance against, or interest in, the relevant assets; (ii) any party that has expressed an interest in purchasing the relevant *De Minimis* Asset(s) during the last six months; (iii) any interested or affected governmental or regulatory entity; and (iv) those parties requesting notice pursuant to Bankruptcy Rule 2002 (collectively, the “**Sale Notice Parties**”);
- (c) the content of the notice sent to the Sale Notice Parties shall consist of: (1) identification of the *De Minimis* Asset for sale or transfer and its location; (2) identification of the Debtor(s) that directly own such asset; (3) identification of the purchaser of the *De Minimis* Assets and any relationships of that party with the Debtors; (4) the major economic terms and conditions of the sale or transfer; (5) the identities of any known parties holding or asserting liens in the relevant assets; and (6) the book value of the relevant *De Minimis* Asset, if known;
- (d) if no written objection by any of the Sale Notice Parties is received by Debtors’ counsel or filed with this Court within ten (10) calendar days of the date of such notice (the “**Sale Objection Deadline**”), the Debtors are authorized to immediately consummate such sale or transfer;
- (e) if the terms of a proposed sale or transfer are materially amended after transmittal of the Sale Notice but prior to the Sale Objection Deadline, the Debtors will send a revised Sale Notice to the Sale Notice Parties. The Sale Objection Deadline will be extended such that the Sale Notice Parties will have an additional five (5) calendar days to object in accordance with the Sale Procedures;

- (f) if a written objection by a Sale Notice Party is received by Debtors' counsel by the Sale Objection Deadline and such objection cannot be resolved by the Sale Objection Deadline, the Sale Notice Party shall file the objection with this Court and such *De Minimis* Assets shall only be sold upon withdrawal of such written objection or further order of the Court;
- (g) any such transactions shall be free and clear of all liens, claims, interests, and encumbrances with such liens, claims, interests, and encumbrances, if any, attaching only to the sale proceeds with the same validity, extent, and priority as had attached to such rigs immediately prior to the transaction; and
- (h) good faith purchasers of assets shall be entitled to the protections of Bankruptcy Code section 363(m).

RELIEF REQUESTED

9. By this Motion, pursuant to Bankruptcy Code sections 105(a) and 363, and Bankruptcy Rule 2002, the Debtors request entry of the Proposed Order authorizing the Debtors to (i) implement the Sale Procedures as set forth herein, (ii) consummate sales of *De Minimis* Assets free and clear of all liens, claims, interests, and encumbrances without the need for further Court approval, and (iii) pay any necessary fees and expenses incurred in connection with the sale of such assets.

SUPPORTING AUTHORITY

A. The Sale Procedures are Appropriate and in the Best Interests of the Debtors' Estates.

10. Bankruptcy Code section 363(b)(1) provides, in relevant part, that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1). Bankruptcy courts regularly authorize sales of a debtor’s assets if there is a “sound business purpose” that justifies such use of estate property. *See, e.g., In re Del. & Hudson Ry. Co.*, 124 B.R. 169, 175-76 (D. Del. 1991) (adopting the “sound business purpose” test to evaluate motions brought pursuant to Bankruptcy Code section 363(b)); *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999) (same).

11. The Debtors currently possess approximately 16 or so rigs that they may desire to sell or transfer during the course of these chapter 11 cases. The Sale Procedures will enable the Debtors to defray or avoid any operational, carrying, storage, or other expenses associated with the *De Minimis* Assets, protect the Debtors against the possible declining value of certain *De Minimis* Assets, and minimize the costs associated with delays in the sale or transfer of such rigs. Moreover, the Sale Procedures will enable the Debtors to take advantage of sale opportunities that are available only for a limited time, and will monetize otherwise unusable assets.

12. Accordingly, the Sale Procedures are in the best interests of the Debtors' estates, their creditors, and other parties in interest and should be approved. In light of the demonstrable benefits of streamlined procedures to the *De Minimis* Assets, courts in this district have approved similar procedures to permit the sale of such *de minimis* assets in other large chapter 11 cases. *See, e.g., In re Chaparral Energy, Inc.*, No. 16-11144 (Bankr. D. Del. August 15, 2016) (authorizing *de minimis* asset sales up to \$4 million); *In re Energy Future Holdings Corp.*, No. 14-10979 (Bankr. D. Del. June 3, 2016) (authorizing *de minimis* asset sales up to \$5 million); *In re Quicksilver Resources Inc.*, No. 15-10585 (Bankr. D. Del. April 14, 2015) (authorizing *de minimis* asset sales up to \$2.5 million).

B. The Court Should Approve the *De Minimis* Asset Sales Free and Clear of Liens, Claims, Interests, and Encumbrances Under Bankruptcy Code Section 363(f).

13. Bankruptcy Code section 363(f) permits a debtor to sell property free and clear of another party's interest in such property if: (a) applicable nonbankruptcy law permits such a free and clear sale; (b) the holder of the interest consents; (c) the interest is a lien and the sales price of the property exceeds the value of all liens on the property; (d) the interest is in bona fide dispute; or (e) the holder of the interest could be compelled in a legal or equitable proceeding to accept a monetary satisfaction of its interest. 11 U.S.C. § 363(f). Because Bankruptcy Code

section 363(f) is stated in the disjunctive, when selling property of the estate, it is only necessary to meet one of the five conditions listed in that section. *See Folger Adam Sec., Inc. v. DeMatteis/MacGregor, JV*, 209 F.3d 252, 257 (3d Cir. 2000) (noting that a debtor is authorized to sell property free and clear of “any interest” if any one of the five prescribed conditions under section 363(f) is met); *In re Kellstrom Indus., Inc.*, 282 B.R. 787, 793 (Bankr. D. Del. 2002) (“Section 363(f) is written in the disjunctive, not the conjunctive, and if any of the five conditions are met, the debtor has the authority to conduct the sale free and clear of all liens.”) (citations omitted).

14. The Debtors propose to sell or transfer the *De Minimis* Assets in a commercially reasonable manner, and expect that the value of the proceeds from such sales or transfer will fairly reflect the value of the property sold. Pursuant to the Sale Procedures, any known party with a lien, claim, or encumbrance against, or interest in the *De Minimis* Assets sold or transferred shall have a corresponding security interest in the proceeds of such sale or transfer with the same validity, extent, and priority as immediately prior to the transaction.

15. Furthermore, the only parties that the Debtors know to have liens, claims, or encumbrances against, or interests in, the *De Minimis* Assets are the Secured Parties. Pursuant to the Sale Procedures, the Secured Parties, and any other known party that may have an interest in the relevant *De Minimis* Asset, will have the opportunity to object to the sale of *De Minimis* Assets worth more than \$100,000 and their interests in such property will be affected only upon their consent or by court order. Accordingly, the requirements of section 363(f) of the Bankruptcy Code will be satisfied for the sale of the *De Minimis* Assets free and clear of all liens, claims, interests, and encumbrances.

C. *De Minimis* Asset Sales Should Be Entitled to the Protections of Bankruptcy Code Section 363(m).

16. Bankruptcy Code 363(m) provides in relevant part that the reversal or modification on appeal of an authorization under section 363(b) of a sale or lease of property does not affect the validity of a sale or lease under such authorization to a purchaser who bought or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal. 11 U.S.C. § 363(m). The Third Circuit has held that: “The requirement that a purchaser act in good faith . . . speaks to the integrity of [purchaser’s] conduct in the course of the sale proceedings. *In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143, 147 (3d Cir. 1986) (internal citations omitted).

17. The Debtors submit that any agreement that results in the sale of *De Minimis* Assets will be an arm’s-length transaction entitled to the protections of Bankruptcy Code section 363(m), and the Debtors request that section 363(m) be deemed to apply to each sale of such assets in accordance with the Sale Procedures.

D. Shortened and Limited Notice of *De Minimis* Asset Sales is Proper.

18. Section 363(b)(1) of the Bankruptcy Code provides, in relevant part, that “the trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate.” The notice and hearing requirements contained in Section 363(b)(1) are satisfied if appropriate notice and an opportunity for hearing are given in light of the particular circumstances. 11 U.S.C. § 102(1)(A) (defining “after notice and a hearing” to mean such notice and an opportunity for hearing “as [are] appropriate in the particular circumstances”). Generally, Rules 2002(a)(2) and 2002(i) of the Bankruptcy Rules require that a minimum of 21 days’ notice of proposed sales of property outside the ordinary course of

business be provided by mail to “the debtor, the trustee, all creditors and indenture trustees” and any committee appointed under Section 1102 of the Bankruptcy Code.

19. Courts are authorized to shorten the 21-day notice period generally applicable to asset sales, or direct another method of giving notice, upon a showing of “cause.” *See* Fed. R. Bankr. P. 2002(a)(2). The usual process of obtaining court approval of each sale of *De Minimis* Assets: (a) would create costs to the Debtors’ estates that may undermine or eliminate the economic benefits of the underlying transactions and (b) in some instances may hinder the Debtors’ ability to take advantage of sale opportunities that are available only for a limited time. The Debtors therefore propose to streamline the process and shorten the applicable notice periods as described herein to maximize the net value realized from sales of *De Minimis* Assets for the benefit of all parties-in-interest.

E. Relief under Bankruptcy Rule 6004(h) is Proper.

20. Bankruptcy Rule 6004(h) provides that an “order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). The Debtors request that any order approving Sale Procedures be effective immediately upon entry of such order by providing that the fourteen-day stay shall not apply. As discussed above, any delay in the Debtors’ ability to sell or transfer *De Minimis* Assets could result in lost sale opportunities and the incurrence of additional costs and fees. Accordingly, the Debtors submit that the fourteen-day stay required by Bankruptcy Rule 6004(h) should be waived.

NOTICE

21. No trustee or examiner has been appointed in these chapter 11 cases. Notice of this Motion has been provided to (i) the Office of the United States Trustee for the District of Delaware; (ii) members of the Committee of Unsecured Creditors appointed in these chapter 11

cases; (iii) Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017 (Attn: Sandeep Qusba, Esq., Kathrine A. McLendon, Esq., and Morris J. Massel, Esq.), counsel to JPMorgan Chase Bank, N.A. (a) as administrative agent under the Senior Secured Revolving Credit Agreement, dated as of June 17, 2014, and (b) as collateral agent under the Guaranty and Collateral Agreement, dated as of July 18, 2014; (iv) Arnold & Porter Kaye Scholer LLP, 250 West 55th Street, New York, NY 10019 (Attn: Scott D. Talmadge, Esq. and Mark F. Liscio, Esq.), counsel to Cortland Capital Market Services L.L.C. as administrative agent under the Senior Secured Term Loan Agreement, dated as of July 18, 2014; (v) Morgan, Lewis, & Bockius LLP, 101 Park Avenue, New York, NY 10178 (Attn: James O. Moore, Esq., Glenn E. Siegel, Esq., and Joshua Dorchak, Esq.), counsel to Deutsche Bank Trust Company Americas as trustee under the Senior Notes Indenture, dated as of July 18, 2014, for the 6.75% Senior Notes due 2022 and the 7.25% Senior Notes due 2024; (vi) Paul, Weiss, Rifkind, Wharton, & Garrison LLP, 1285 Avenue of the Americas, New York, NY 10019 (Attn: Andrew N. Rosenberg, Esq. and Elizabeth R. McColm, Esq.), counsel to certain holders of the 6.75% Senior Notes due 2022 and the 7.25% Senior Notes due 2024; (vii) the Securities and Exchange Commission; (viii) the Internal Revenue Service; (ix) the United States Attorney's Office for the District of Delaware; (x) any other parties known to the Debtors to hold, or parties that the Debtors subsequently become aware of that hold, liens, claims or encumbrances against, or interests in, the *De Minimis* Assets; and (xi) all parties who filed a request for service of notices under Bankruptcy Rule 2002.

NO PREVIOUS REQUEST

No previous request for the relief sought herein has been made by the Debtors to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested herein and such other and further relief as it deems just and proper.

Dated: February 2, 2017
Wilmington, Delaware

/s/ Amanda R. Steele

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Attorneys for Debtors and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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In re	:	Chapter 11
	:	
PARAGON OFFSHORE PLC, et al.,	:	Case No. 16-10386 (CSS)
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Debtors. ¹	:	Jointly Administered
	:	
	:	Hearing Date: Feb. 21, 2017 at 10:00 a.m. (ET)
	:	Obj. Deadline: Feb. 14, 2017 at 4:00 p.m. (ET)
-----X		

NOTICE OF MOTION AND HEARING

PLEASE TAKE NOTICE that, on February 2, 2017, Paragon Offshore plc and its affiliated debtors in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**”) filed the *Debtors’ Motion for Entry of an Order Establishing Procedures for the Sale or Transfer of Certain De Minimis Assets* (the “**Motion**”) with the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”).

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Motion must be in writing, filed with the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, and served upon and received by the undersigned counsel for the Debtors on or before **February 14, 2017 at 4:00 p.m. (ET)**.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.

PLEASE TAKE FURTHER NOTICE that if any objections to the Motion are received, the Motion and such objections shall be considered at a hearing before The Honorable Christopher S. Sontchi, United States Bankruptcy Judge for the District of Delaware, at the Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801 on **February 21, 2017 at 10:00 a.m. (ET)**.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: February 2, 2017
Wilmington, Delaware

/s/ Amanda R. Steele

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*Attorneys for the Debtors
and Debtors in Possession*

Exhibit A

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re	:		Chapter 11
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PARAGON OFFSHORE PLC, et al.	:		Case No. 16–10386 (CSS)
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	:		(Jointly Administered)
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Debtors.¹	:		Re: Docket No. ____
	:		
	:		
	X		

**ORDER ESTABLISHING PROCEDURES
FOR THE SALE OR TRANSFER OF CERTAIN *DE MINIMIS* ASSETS**

Upon the Motion² of the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”), for entry of this Order pursuant to Bankruptcy Code sections 105(a) and 363, and Bankruptcy Rule 2002 authorizing the Debtors to (i) implement the Sale Procedures, (ii) consummate sales and transfers of *De Minimis* Assets free and clear of all liens, claims, interests, and encumbrances without the need for further Court approval, and (iii) pay any necessary fees and expenses incurred in connection with the sale or transfer of such assets, all as further described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion; and upon the record of the hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest and that the legal and factual bases set forth in the motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted to the extent provided herein.
2. Pursuant to Bankruptcy Code section 363(b), the Debtors are authorized, but not directed, to sell or transfer the *De Minimis* Assets without any further order of the Court in accordance with the following Sale Procedures:

- (i) With regard to the sale or transfer of a *De Minimis* Asset in any individual transaction or series of related transactions to a single buyer or group of related buyers with net proceeds less than or equal to \$100,000:²
 - (a) the Debtors are authorized to consummate such transactions if the Debtors determine in the reasonable exercise of their business judgment that such sales are in the best interests of their estates, without further order of the Court or notice to any party;
 - (b) any such transactions shall be deemed final and fully authorized by the Court and free and clear of liens with such liens attaching only to the sale proceeds with the same validity, extent, and priority as immediately prior to the transaction; and

² For purposes of these Sale Procedures, net proceeds shall refer to the proceeds to be received by the Debtors or their estimate of such proceeds, as applicable, on account of any sale transaction net of removal costs, appraisal fees, broker fees, and other related expenses.

- (c) good faith purchasers of such assets shall be entitled to the protections of Bankruptcy Code section 363(m).
- (ii) With regard to the sale or transfer of a *De Minimis* Asset in any individual transaction or series of related transactions to a single buyer or group of related buyers with net proceeds greater than \$100,000 and less than or equal to \$2,500,000:
 - (a) the Debtors are authorized to consummate or authorize such transactions, as applicable, if the Debtors determine in the reasonable exercise of their business judgment that such sales are in the best interests of their estates, without further order of the Court, subject to the procedures set forth herein;
 - (b) the Debtors shall, at least ten (10) calendar days prior to closing, effectuating, or authorizing such sale or transfer, give written notice of such sale or transfer substantially in the form attached as **Exhibit 1** to **Exhibit A** attached hereto (each notice, a “**Sale Notice**”) to (1) the U.S. Trustee; (2) counsel to the administrative agent and collateral agent under the Debtors’ Senior Secured Revolving Credit Agreement, dated as of June 17, 2014 (the “**Revolver Agent**”); (3) counsel to the administrative agent under the Debtors’ Senior Secured Term Loan Agreement, dated as of July 18, 2014 (the “**Term Agent**” and, together with the Revolver Agent, the “**Secured Parties**”); (4) counsel to the Committee of Unsecured Creditors; and (5) any of the following parties that are affected by such sale or transfer: (i) counsel to any known affected creditor(s) asserting a lien, claim, or encumbrance against, or interest in, the relevant assets; (ii) any party that has expressed an interest in purchasing the relevant *De Minimis* Asset(s) during the last six months; (iii) any interested or affected governmental or regulatory entity; and (iv) those parties requesting notice pursuant to Bankruptcy Rule 2002 (collectively, the “**Sale Notice Parties**”);
 - (c) the content of the notice sent to the Sale Notice Parties shall consist of: (1) identification of the *De Minimis* Asset for sale or transfer and its location; (2) identification of the Debtor(s) that directly own such asset; (3) identification of the purchaser of the *De Minimis* Assets and any relationships of that party with the Debtors; (4) the major economic terms and conditions of the sale or transfer; (5) the identities of any known parties holding or asserting liens in the relevant assets; and (6) the book value of the relevant *De Minimis* Asset, if known;

- (d) if no written objection by any of the Sale Notice Parties is received by Debtors' counsel or filed with this Court within ten (10) calendar days of the date of such notice (the "**Sale Objection Deadline**"), the Debtors are authorized to immediately consummate such sale or transfer;
- (e) if the terms of a proposed sale or transfer are materially amended after transmittal of the Sale Notice but prior to the Sale Objection Deadline, the Debtors will send a revised Sale Notice to the Sale Notice Parties. The Sale Objection Deadline will be extended such that the Sale Notice Parties will have an additional five (5) calendar days to object in accordance with the Sale Procedures;
- (f) if a written objection by a Sale Notice Party is received by Debtors' counsel by the Sale Objection Deadline and such objection cannot be resolved by the Sale Objection Deadline, the Sale Notice Party shall file the objection with this Court and such *De Minimis* Assets shall only be sold upon withdrawal of such written objection or further order of the Court;
- (g) any such transactions shall be free and clear of all liens, claims, interests, and encumbrances with such liens, claims, interests, and encumbrances, if any, attaching only to the sale proceeds with the same validity, extent, and priority as had attached to such rigs immediately prior to the transaction; and
- (h) good faith purchasers of assets shall be entitled to the protections of Bankruptcy Code section 363(m).

3. For the avoidance of doubt, pursuant to Bankruptcy Code section 363(f), the sale of the *De Minimis* Assets shall be free and clear of any and all liens, claims, and encumbrances against, and other interests in, the *De Minimis* Assets, with such liens, claims, encumbrances and interests, including the liens of the Collateral Agent (as defined in the *Final Order (I) Authorizing the Debtors to Utilize Cash Collateral; and (II) Granting JP Morgan Chase Bank, NA., as Administrative Agent for the Revolver Lenders and Collateral Agent for the Revolver Lenders and Term Loan Lenders and Cortland Capital Market Services L.L.C as Successor Administrative Agent for the Term Loan Lenders, Adequate Protection Pursuant to Sections 105, 361, 362, 363, and 507 of the Bankruptcy Code* [Docket No. 140]), to attach to the

proceeds of the sale with the same force, effect, and priority as such liens, claims, encumbrances and other interests have on the *De Minimis* Assets, as appropriate.

4. With respect to all sale transactions consummated pursuant to this Order, this Order shall be sole and sufficient evidence of the transfer of title to any particular buyer, and the sale transactions consummated pursuant to this Order shall be binding upon and shall govern the acts of all persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register, or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the property sold pursuant to this Order, including without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental departments, secretaries of state and federal, state, and local officials, and each of such person and entity is hereby directed to accept this Order as sole and sufficient evidence of such transfer of title and shall rely upon this Order in consummating the transactions contemplated hereby.

5. Buyers of the *De Minimis* Assets sold pursuant to this Order will take title to such rigs free and clear of liens, claims, encumbrances, and other interests under Bankruptcy Code section 363(f). All such liens, claims, encumbrances, and other interests, if any, will attach to the proceeds of the sale to the extent applicable state law, any relevant security agreement (or both) provide for the continuation of such liens, claims, encumbrances, and other interests, with the same validity and priority as with respect to the rigs.

6. For the avoidance of doubt, the Sale Procedures shall not apply to any sales of *De Minimis* Assets that involve an “insider” of the Debtors as term is defined in Bankruptcy Code section 101(31).

7. To the extent that the Debtors seek to sell, either in a single sale or a series of related sales, *De Minimis* Assets or any other assets that have, in the reasonable business judgment of the Debtors, a value in excess of \$2,500,000, the Debtors shall file a motion pursuant to section 363 of the Bankruptcy Code seeking authority to consummate such sale.

8. The Debtors are authorized to pay the necessary fees and expenses, net of any applicable sale proceeds, incurred in the sale or transfer of the *De Minimis* Assets, including, without limitation, removal costs and commission fees to agents, brokers, auctioneers, and liquidators.

9. The Sale Notice with regard to the sale or transfer of *De Minimis* Assets substantially in the form attached to this Order as **Exhibit 1** is hereby authorized and approved, and service of the Sale Notice is sufficient notice of the sale or transfer of such assets.

10. Nothing contained herein shall prejudice the rights of the Debtors to seek authorization for the sale of any asset under 11 U.S.C. § 363.

11. Notwithstanding the applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry, and any sales or transfers of *De Minimis* Assets consummated under the Sale Procedures are deemed immediately approved when consummated thereunder.

12. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

13. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Order.

Wilmington, Delaware
Date: _____, 2017

THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Form of Sale Notice

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

	X		
	:		
In re	:		Chapter 11
	:		
PARAGON OFFSHORE PLC, et al.	:		Case No. 16-10386 (CSS)
	:		
Debtors.¹	:		(Jointly Administered)
	:		
	:		
	:		
	X		

NOTICE OF DE MINIMIS ASSET SALE

PLEASE TAKE NOTICE that, on February 14, 2016, the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532.

PLEASE TAKE FURTHER NOTICE that, on _____, 2017, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) entered an *Order Establishing Procedures for the Sale or Transfer of Certain De Minimis Assets* [Docket No. ___] the (“**Sale Order**”), whereby the Bankruptcy Court authorized the Debtors to sell certain obsolete, non-core, or burdensome rigs and related equipment (the “**De Minimis Assets**”).

PLEASE TAKE FURTHER NOTICE that, pursuant to the Sale Order, the Debtors propose to sell the *De Minimis Assets* as set forth and described on **Exhibit A** attached hereto (the “**Sale Assets**”). **Exhibit A** identifies, for each Sale Asset, a description of the Sale Asset and its location, the purchaser, the major economic terms and conditions of the sale, the identity of any party asserting a lien, claim, interest, or encumbrance on the Sale Asset, and other relevant information.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Sale Order, any recipient of this notice may object to the proposed sale within ten (10) calendar days of service of this notice.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are: Paragon Offshore plc (6017); Paragon Offshore Finance Company (6632); Paragon International Finance Company (8126); Paragon Offshore Holdings US Inc. (1960); Paragon Offshore Drilling LLC (4541); Paragon FDR Holdings Ltd. (4731); Paragon Duchess Ltd.; Paragon Offshore (Luxembourg) S.à r.l. (5897); PGN Offshore Drilling (Malaysia) Sdn. Bhd. (9238); Paragon Offshore (Labuan) Pte. Ltd. (3505); Paragon Holding SCS 2 Ltd. (4108); Paragon Asset Company Ltd. (2832); Paragon Holding SCS 1 Ltd. (4004); Paragon Offshore Leasing (Luxembourg) S.à r.l. (5936); Paragon Drilling Services 7 LLC (7882); Paragon Offshore Leasing (Switzerland) GmbH (0669); Paragon Offshore do Brasil Ltda.; Paragon Asset (ME) Ltd. (8362); Paragon Asset (UK) Ltd.; Paragon Offshore International Ltd. (6103); Paragon Offshore (North Sea) Ltd.; Paragon (Middle East) Limited (0667); Paragon Holding NCS 2 S.à r.l. (5447); Paragon Leonard Jones LLC (8826); Paragon Offshore (Nederland) B.V.; and Paragon Offshore Contracting GmbH (2832). The Debtors’ mailing address is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042.

Objections must: (i) be in writing; (ii) be received within ten (10) calendar days of service of this notice (the “**Objection Deadline**”); and (iii) be submitted by mail or facsimile to proposed counsel for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, facsimile (212) 310-8007, Attn: Gary T. Holtzer, Esq., Stephen A. Youngman, Esq., and Alfredo R. Pérez, Esq. **If you send a written objection to the Debtors’ counsel and such objection is not resolved by the Objection Deadline, you must file the objection with the Bankruptcy Court and the Debtors may not sell the *De Minimis* Asset unless you and the Debtors consensually resolve the objection or upon further Bankruptcy Court order approving the sale or transfer of such rig.**

Dated: _____, 2017
Wilmington, Delaware

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